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June 26, 1997

VIA OVERNIGHT DELIVERY

Blanca S. Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

970990 -TI

Re: Notification of Proposed Transfer of Control of Consolidated
Communications Telecom Services Inc. to McLeodUSA Incorporated

Dear Ms. Bayo:

On behalf of McLeodUSA Incorporated ("McLeodUSA") and Consolidated Communications Telecom Services Inc. ("CCTS"), enclosed for filing are an original and twelve (12) copies of the above-referenced notification.

Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed, stamped envelope. Should you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,



Catherine Wang
Grace R. Chiu

Counsel for McLeodUSA Incorporated and
Consolidated Communications Telecom Services Inc.

Enclosures

cc: Casey D. Mahon, Esq.
Ellyn Crutcher, Esq.
Anthony A. Hansel, Esq.

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DOCUMENT NUMBER-DATE

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Blanca S. Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

**Re: Notification of Proposed Transfer of Control of Consolidated
Communications Telecom Services Inc. to McLeodUSA Incorporated**

Dear Ms. Bayo:

On behalf of McLeodUSA Incorporated ("McLeodUSA")^{1/} and Consolidated Communications Telecom Services Inc. ("CCTS") (collectively, "the Parties"), this letter is to notify the Commission of a transaction whereby McLeodUSA will acquire ownership and control of CCTS's parent corporation, Consolidated Communications Inc. ("CCI"), and in turn, of CCTS. CCTS and McLeodUSA's subsidiary, McLeodUSA Telecommunications Services, Inc., are nondominant carriers separately authorized by this Commission to provide interexchange telecommunications services within the State of Florida. McLeodUSA and CCTS currently are not affiliated with each other.

It is the understanding of the Parties that prior Commission approval is not required for the transfer of control transaction described herein. Accordingly, absent receipt of written notification to the contrary within thirty (30) days, the Parties will proceed on the understanding that no approval or other formal action with respect to the proposed transaction is required by the Commission.

As described below, McLeodUSA will acquire all of the outstanding stock of CCI by merging CCI into and with a newly formed subsidiary of McLeodUSA. Upon consummation of the transaction, the post-merger entity will be a direct, wholly-owned subsidiary of McLeodUSA, while CCTS will be an indirect subsidiary of McLeodUSA. Following completion of the proposed transaction, both CCTS and McLeodUSA Telecommunications Services, Inc. will continue to provide services to their respective customers under existing service arrangements and pursuant to their respective certifications. The proposed transaction, therefore, will be virtually transparent to customers of the two companies.

^{1/} McLeodUSA Incorporated formerly was known as McLeod, Inc.

I. THE PARTIES

A. Consolidated Communications Telecom Services Inc.

CCTS is an Illinois corporation whose principal offices are located at 121 South 17th Street, Mattoon, Illinois 61938. CCTS is a wholly-owned subsidiary of CCI, a privately-held corporation organized and existing under the laws of the State of Illinois. CCI is a holding company for several corporations engaged in the provision of competitive telecommunications products and services.

CCTS is authorized to provide intrastate interexchange telecommunications services throughout the State of Florida pursuant to certification granted by this Commission in Docket No. 930269-TI, effective June 15, 1993.² In addition to the services CCTS provides to Florida subscribers, CCTS currently is authorized to provide resold intrastate interexchange and other competitive telecommunications services in numerous other states pursuant to certification, registration or tariff requirements, or on an unregulated basis. In addition, CCTS is authorized by the Federal Communications Commission ("FCC") to provide domestic interstate and international services as a non-dominant carrier in all 50 states and the District of Columbia.

Further information regarding CCTS's legal, technical, managerial, and financial qualifications to provide service, and a tariff of its Florida rates and charges, was submitted with CCTS's application for certification filed with the Commission in Docket No. 930269-TI, is therefore already a matter of public record, and is herein incorporated by reference.

² CCTS's Florida certificate was originally granted to its corporate predecessor, Midwest Fibernet Inc. ("MFI"). *Application for Certificate to provide interexchange telecommunications service by Midwest Fibernet Inc.*, Docket No. 930269-TI, Order No. PSC-93-0786-FOF-TI (issued May 24, 1993). By Order effective January 20, 1996, this Commission authorized an intra-corporate merger involving MFI and certain other CCI subsidiaries, whereupon the post-merger entity changed its name to Consolidated Communications Telecom Services Inc. *Request for approval of intracorporate merger and pro-forma transfer of control of Midwest Fibernet Inc. to Consolidated Network Inc.*, Docket No. 951256-TI, Order No. PSC-95-1609-FOF-TI (issued Dec. 29, 1995). By letter dated July 15, 1996, CCTS notified the Commission that the intra-corporate merger and name change that were the subject of Docket No. 951256-TI became effective May 1, 1996.

B. McLeodUSA Incorporated

McLeodUSA is a publicly traded Delaware corporation (NASDAQ; symbol: MCLD) whose principal offices are located at McLeodUSA Technology Park, 6400 C Street SW, Cedar Rapids, Iowa 52406-3177. McLeodUSA, formerly McLeod, Inc.,^{3/} is a provider of integrated telecommunications services to small- and medium-sized business and residential customers and government agencies, primarily in Illinois, Iowa, Wisconsin, Minnesota, and the Dakotas. McLeodUSA's services include primarily competitive local and long distance telecommunications services, competitive access services, including special access and private line services, and maintenance and installation of fiber optic telecommunications networks.

McLeodUSA is the parent company of McLeodUSA Telecommunications Services, Inc., a nondominant carrier that is authorized to provide intrastate interexchange services in Florida pursuant to certification issued by this Commission in Docket No. 961457-TI, on March 11, 1997, as amended on March 24, 1997, effective April 2, 1997. Further information regarding McLeodUSA Telecommunications Services, Inc.'s legal, technical, managerial, and financial qualifications to provide service, and a tariff of its Florida rates and charges, was submitted with its application for certification filed with the Commission in Docket No. 961457-TI, is therefore already a matter of public record, and is herein incorporated by reference.

McLeodUSA Telecommunications Services, Inc. is also currently authorized to provide resold intrastate interexchange and other competitive services in numerous other states pursuant to certification, registration or tariff requirements, or on an unregulated basis. In addition, McLeodUSA Telecommunications Services, Inc. is authorized by the FCC to provide domestic interstate and international services as a non-dominant carrier in all 50 states and the District of Columbia.

Since its inception in 1991, McLeodUSA has aggressively pursued its goal to be the leading provider of integrated telecommunications services in the market areas it targets. McLeodUSA's "one stop" approach integrates local, long distance, voice mail, paging, and Internet access services on a single bill, tailored to the customer's specific needs. As of December 31, 1996, McLeodUSA served over 17,800 customers in 92 markets. McLeodUSA's 1996 consolidated operating revenues exceeded \$81.3 Million. As of March 31, 1997, McLeodUSA had assets in excess of \$779.6 Million and shareholders' equity in excess of \$394.2 Million. With its substantial financial resources, and as the parent of a duly authorized resale interexchange telecommunications and competitive local exchange carrier, McLeodUSA is well-qualified to acquire control of CCTS.

^{3/} McLeod, Inc. was renamed McLeodUSA Incorporated effective June 1, 1997.

II. DESCRIPTION OF THE TRANSACTION

McLeodUSA, CCI, and CCTS have determined that they will realize significant economic and marketing efficiencies by establishing CCTS as an indirect wholly-owned subsidiary of McLeodUSA. Accordingly, McLeodUSA and CCI have executed an Agreement and Plan of Merger ("Agreement"). The proposed transaction is structured as a merger of Eastside Acquisition Co. ("Eastside"), a newly formed Delaware subsidiary of McLeodUSA, created specifically for the purpose of consummating the transaction. Pursuant to the Agreement, CCI will merge with and into Eastside, with Eastside being the surviving entity. The surviving Delaware corporation will be renamed Consolidated Communications Inc. ("New CCI"). All subsidiaries of CCI, including CCTS, will remain subsidiaries of New CCI.

At the effective time of the merger, \$155 Million in cash and approximately 8.5 million shares of McLeodUSA Class A Common Stock (\$0.01 par value) will be distributed to the owners of CCI Common and Preferred Stock.^{4/}

After the consummation of the transaction, CCTS will continue to be led by a team of well-qualified telecommunications managers comprised, in part, of existing CCI personnel. Mr. Richard A. Lumpkin, Chairman and Chief Executive Officer of CCI, will become Vice Chairman of the McLeodUSA Board of Directors, and Mr. Robert J. Currey, President and Chief Operating Officer of CCI, will become a member of the McLeodUSA Board. Mr. Currey will also serve as an Executive Officer of McLeodUSA, responsible for all telephone operations for McLeodUSA. The Parties expect that the substantial managerial, technical, and financial expertise of this management team will enable CCTS to continue providing high quality service to its existing customers, as well as to expand its service offerings and customer base.

Following completion of the transaction, CCTS will continue to be a wholly-owned subsidiary of New CCI and continue to provide high quality, affordable resold services to its Florida subscribers pursuant to its tariff currently on file at the Commission.^{5/} The proposed transaction simply will result in a change in the ultimate corporate parent of CCTS and will not

^{4/} Specifically, each share of CCI Series A Preferred Stock will be exchanged for approximately 4.5 shares of McLeodUSA Class A Common Stock and each share of CCI Series B Preferred Stock will be exchanged for approximately 4.5 shares of McLeodUSA Class A Common Stock. CCI Common Stock will be exchanged for a mix of cash and McLeodUSA Class A Common Stock, which exact mix will be elected by each shareholder of CCI Common Stock.

^{5/} Similarly, McLeodUSA Telecommunications Services, Inc. will continue to provide services to Florida customers under its existing service agreements, pursuant to its own grant of certification.

involve a change in the manner in which CCTS provides service to its Florida customers. As such, the transaction will not cause inconvenience nor confusion to CCTS's customers or otherwise have a negative impact on the operations of CCTS. Indeed, the transaction will be virtually transparent to CCTS's customers in terms of the services that they receive.

III. PUBLIC INTEREST CONSIDERATIONS

Consummation of the proposed transaction will serve the public interest, convenience, and necessity for several reasons. First, the reorganization will create a significantly larger entity committed to bringing competitive integrated telecommunications to consumers in small- and medium-sized markets that are usually not targeted by other telecommunications providers. As a result, consumers in these markets will receive the many benefits of competition, including superior customer service and expanded service offerings. The Parties anticipate that the contemplated business combination will result in a company better equipped to accelerate its growth as a competitive telecommunications service provider.

The Parties also believe that the combination of the existing management and work force of the two companies will strengthen their collective ability to bring competitive telecommunications services to consumers in the State of Florida. Each company's executive management team possesses extensive telecommunications experience, from which the combined company will benefit. For example, as operators of a local exchange company for over 100 years, CCI executives have extensive knowledge and experience in the provision of local exchange services. Similarly, McLeodUSA is managed by a team of veteran telecommunications professionals, led by entrepreneur Clark E. McLeod, who have developed a proven strategy of delivering competitive telecommunications services to consumers.⁶

The Parties also expect that the combined resources of the new business structure will give their companies greater access to capital markets, enabling them to continue to improve and expand their competitive service offerings to the public. In addition, the transfer of control will allow the Parties to manage their telecommunications operations more efficiently, thereby permitting greater investment in facilities, customer services, and technological innovation. The proposed transfer will also benefit the public interest by enhancing the Parties' operational flexibility and efficiency as well as their financial viability. Further, the combination of CCI and McLeodUSA will ultimately provide their operating subsidiaries' customers with a more diverse

⁶ Seven of the nine executive officers, for example, served as officers of Teleconnect Company ("Teleconnect") or of Teleconnect's successor, Telecom★USA, Inc. ("Telecom★USA"). Teleconnect began providing competitive long distance services in Iowa in 1982 and rapidly expanded into dozens of markets in the Midwest. Telecom★USA was the fourth largest long distance carrier in the U.S. when it was purchased by MCI in 1990.

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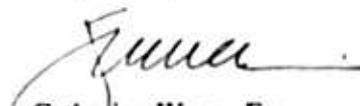
and comprehensive selection of services from a single provider. The proposed transaction, therefore, will ensure the continued provision of high quality and innovative telecommunications services to CCTS's existing customers and should promote competition in the Florida telecommunications service market.

IV. CONCLUSION

It is the understanding of the Parties that prior Commission approval is not required for the transfer of control transaction described above. This letter is forwarded to the Commission for informational purposes, to be included in the appropriate file. In the event, however, that the Commission determines that approval is required, please consider this letter as a request for expedited approval. Absent receipt of written notification to the contrary within thirty (30) days, the Parties will proceed on the understanding that no approval or other formal action with respect to the proposed transaction is required by the Commission.

Please do not hesitate to contact the undersigned with any questions or comments regarding this transaction.

Respectfully submitted,



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